

A number of Commission members have expressed interest in providing incentives for school districts to consolidate, with the goal of either reducing costs or increasing educational opportunities in smaller rural districts.

Under current law, districts that consolidate after July 1, 2019, are eligible for a categorical aid payment of \$150 per pupil attending school in the consolidated district in the school year in which a school district consolidation takes place and each of the subsequent four school years. In the fifth year following the year in which the consolidation takes effect, the consolidated district is eligible for 50% of the amount received in the fourth year after the consolidation. In the sixth year following the year in which the consolidation takes effect, the district is eligible for 25% of the amount received in the fifth year after the consolidation. No additional funding is provided in subsequent years.

In the first five years after the consolidation takes effect, the consolidated school district's state general school aids cannot be less than the total aggregate state general school aids received by the consolidating school districts in the school year prior to the consolidation, with additional aid payments made from the general equalization aids appropriation. Additionally, in the school year in which a school district consolidation takes place and each of the following four school years, the consolidated district is eligible to receive sparsity aid equal to at least 50% of the aggregate amount of sparsity aid received by the consolidating school districts in the school year prior to the consolidation.

Under 2007 Act 20, a program was created to provide grants to school districts for consolidation feasibility studies. One-time funding of \$250,000 general purpose revenue (GPR) in 2008-09 was provided. A consortium of two or more school districts could apply to DPI for a grant of up to \$10,000 to conduct a study. A consortium applying for a grant was required to submit a plan identifying the districts engaged in the study, the issues the study would address, and how the grant funds would be expended. Grants under the program were awarded to 11 consortia of districts, two of which later consolidated.

Under current law, whole grade sharing allows two or more school districts to enter into a whole grade sharing agreement to consolidate pupils in a particular grade level by offering that grade in only one of the participating districts. No aid is currently provided for districts that enter into such an agreement.

ALTERNATIVES

1. Recommend modifying current law to allow the creation of new K-8/UHS districts. This would allow small districts to continue operating their own elementary and middle schools, but share a combined high school.

2. Recommend providing an incentive of \$150 per pupil for up to five years for school districts that enter into a whole grade sharing agreement, and declare an intent to explore consolidation. Recommend providing \$750,000 GPR annually for the program.

ALT 2	2019-20	2020-21
GPR	\$750,000	\$750,000

3. Recommend modifying the current consolidation aid program to provide consolidating districts with a recurring revenue limit adjustment of \$150 per pupil, rather than the categorical aid under current law.

4. Recommend providing one-time funding of \$250,000 GPR in a continuing appropriation for a grant program to fund feasibility studies of consolidation or whole grade sharing. Recommend allowing consortia of two or more school districts to apply for grants of up to \$10,000 each for a professional financial analysis of how consolidation or whole grade sharing would affect the district.

ALT 4	2019-20	2020-21
GPR	\$250,000	\$0